Should Labor Participate in Management?

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THERE are three basic interests in every industry first, the need of society for the products of that industry; second, the use of capital to procure the tools, equipment, materials, essential for the conduct of the industry, and, third, the human effort required to direct and utilize the tools, equipment, and materials which capital furnishes in the various processes of production and distribution, in order that society may obtain and possess those things which it needs.

The first element represents the interest of the consumers, the second element the interest of the investors, the third element the interest of the producers. If there are no consumers, there can be no industry. If capital cannot be obtained, the consumers' necessities cannot be met, the producers cannot find employment. If there are no producers, there can be neither field for investment nor the satisfaction of the needs of consumers. Each element is absolutely essential to the existence of the other two. With one single element lacking, the other two elements cannot function. No single element can obtain a preponderance in the industry, except at the expense of the other two, and no two elements can combine for their mutual benefit except at the expense of the third.

These three elements are all equal essentials to the existence of industry. These three elements make up society as a whole. A benefit to one or two elements at the expense of two or one, disturbs the social balance and creates disorder, unrest and revolution.

Each of these elements has certain well-defined rights which may not be violated without producing inevitable social disorders. The consumers—the need of society—have a right to obtain the products essential to their welfare at a price no more than sufficient duly to compensate the investors and reward the producers. The investor who devotes his capital to the service of society is entitled to the protection of his investment and to that constant

and uninterrupted return which induces him to make the investment. The producer is entitled to receive, likewise, protection in his investment of human effort—that is in the security of his employment, that rate of return which induces him to place his efforts at the service of society, and a fair share of any increase in productivity which his skill promotes and creates. The corporate control of productive industry has resulted, first, in the complete organization of the capital invested in that industry, second, in the partial organization of the labor employed in the industry, and, third, in the total disorganization of the consumers requiring the products of that industry.

In the capitalistic organization the investors contributing money to the enterprise, as the condition of their investment, have been required to surrender all competitive efforts between themselves and to join in a complete coöperative production, each contributor of capital agreeing to pool his money with the other contributors and to pool returns or profits, so that the reward for one should be the reward for all; as owners of capital they have surrendered their privilege of competing with each other in the industry, which they now conduct on a coöperative basis. True, the owner of two shares of investment receives twice the amount of return which the owner of one share receives. But each receives the same rate of return apportioned upon the amount which he contributes to the enterprise. Under the same agreement these investors surrender to the board of managers which they create all of their individual powers of negotiating with employes as to wages and conditions of labor. This group of capitalists through their agreement adopt collective bargaining as the basis of their side of the negotiations with the producers as well as collective selling as the basis of their transactions with consumers. The wage which their management fixes for employes is the wage which all of the investors adopt as the basis of negotiation with the producers. The price which the management fixes for the products of the industry is the basis which all investors adopt in their negotiations with the consuming public.

As against this capitalistic organization so established, labor has organized, not as completely as has capital, but to a very large extent, and has insisted on collective bargaining with capital on behalf of the producers. Capital and labor have classified by

agreement between themselves the ranks of employes, and have insisted that each individual in a specified rank should receive the same rate of return in wages, that return to be commensurate with the service which that rank renders. The consumers remain as yet unorganized, and have no means of collective bargaining with the management of the productive enterprise. Yet by common consent, in instances where the public need has been totally disregarded, an organized boycott has sometimes come into being as a popular protest against the total disregard which capitalistic management has shown towards the needs of consumers.

A boycott is nothing but a consumers' strike. A lockout is an employers' strike. A strike is nothing but a producers' boycott or lockout.

The investors acting coöperatively through corporate management have deemed labor to be a commodity, a thing to be bought and sold, just as are materials which are the product of labor. Commodities are the result of human effort, not human effort itself. Commodities cannot produce. Human effort alone produces. It is the creative impulse of mankind, it is that divine spark of omnipotence breathed into human clay that distinguishes it from merely brute force. Treat labor merely as brute force, and it becomes brutalized, degrading society to the level of the brutes. Recognize and reward its divinity, and it takes its place as the great uplifting formative power of civilization. He who sells commodities always seeks to part with as little of his commodity as possible for as high a price as he can extort from the buyer. He who buys commodities seeks to get as much as he can obtain for the lowest possible price. Under this false conception of labor, that it is a commodity, the wage-earner has been placed in the position of a seller of commodities. Can he then be blamed if he bends every effort to selling the least possible amount of service for the greatest possible price to be obtained?

In the old days when an individual conducted his own industry, furnishing labor, capital and materials himself, he knew that the profits to be obtained from this joint investment of labor depended entirely upon his ability either to increase the quantity of his products, improve the quality of his output, or decrease the cost of production, and thereby supply the needs of the consumers at least cost to them. His profit impulse, therefore, depended upon better

service to society. But this was under a condition of free competition; if he did not render this better service, another would. In those days the management of the individualistic industry paid due regard to the interests of capital, producers, and consumers.

But now conditions have changed. Society, in order to obtain more economical service, has come to recognize that unlimited competition means unwarranted expense, duplication of investment in unnecessary plants and equipment, a competitive lowering of wages below the level conducive to social betterment. Society has therefore granted and fostered a monopoly of privilege for meeting its needs, and so has built up the various industries based on grants, franchises and privileges. The number of industries which come within this description has been gradually enlarged, until now many industries which were formerly considered private are considered essential to the public welfare by reason of their having acquired a monopoly in the field of production. The public need of the products of the Standard Oil Company, of the United States Steel Company, is so great that it is unthinkable that these great industries could now refuse to supply society's demands or could refuse to answer to the responsibility which their great development imposes upon them. Yet they maintain, so far successfully, that they are individualistic industries, not subject to public control either in the matter of prices and service to the public or in the matter of wages and returns to producers. They decide what shall be the interests of both producers and consumers in what they deem to be matters essential to the protection of their interests as investors.

The coming order will treat capital, producers, and consumers alike. The need of society when expressed in a franchise is just as essentially an investment in industry as is the investment made by capital or the investment made by labor. This is a vital, living, human interest. It is just as valuable an asset to the industry as is the capital which furnishes tools and materials for the conduct of the industry. Society has made this investment, just as the owners of capital make their investment, in the hope of obtaining a return on that investment in the shape of increased production, improved quality and reduced prices. Those who make this investment are entitled to a voice in the control of the industry to see their investment is properly protected, and that

no deceit shall be practised upon these investors in any matters affecting their interest in the conduct of the industry. The producers are also investors. They invest the other vital element in the industry, the power that creates. If their position as an investor is recognized, then they, too, become imbued with the motive which actuates all investors—to increase quantity and improve quality, thereby reducing cost.

We have here two vital human elements representing the need of the consumers and the creative power of the producers. The growth of the industry depends upon these two elements. As the need of society increases, the field of production is widened; without this widened field the effort of the producers would be in vain. With this widened field and unlimited capital no increase of production would be possible except for the impetus to the creative element represented by the producers. The creative element of society in order to protect its interests, must have a voice in the management of industry. The breadth of the field of its activity depends not only upon the use of capital, but also quite as vitally upon meeting the needs of the consumers. A rise in the price of the commodity to increase the profits to capital, decreases the field of employment by circumscribing the extent of the market; so that consumers and producers have this interest in common, that the prices charged shall not be in excess of what may be required to pay for production, including fair return on the investment.

Again, both producers and consumers are concerned to preserve that fair return on the required investment, so that sufficient tools, materials and money may always be available for the successful conduct of the industry. By treating the needs of society expressed in a franchise as an essential investment in the industry, the creative forces of producers as another essential investment to share with the third element, capital, in the control of the industry, we establish harmony in industrial relations. We restore to individuals, both consumers and producers, the advantages to be obtained by coöperative production. We establish democracy in industry by giving to each fundamental interest an equal voice in the direction of the industry, exactly commensurate with the fundamental importance which that interest bears to the entire industrial organization.